

CHAPTER 4. PURCHASE CARD ACCRUAL POLICY

- 4-1 Purpose:** The purpose of this chapter is to establish a policy for estimating and recording accruals for purchase card expenses in the Department of Housing and Urban Development (HUD). HUD's consolidated financial statements are presented on the accrual basis in accordance with generally accepted accounting principles (GAAP) established by the Federal Accounting Standards Advisory Board (FASAB). Under the accrual methodology, HUD recognizes revenues when earned and expenses when a liability is incurred, without regard to receipt or payment of cash.
- 4-2 Background:** HUD uses the GSA SmartPay® Program, also known as the Government-Wide Purchase Card (GPC) Program, to pay for goods and services up to the micro-purchase threshold (as defined in Federal Acquisition Regulation subpart 2.101) through the use of a bank-issued, Government-sponsored credit card. The Payments and Collection Division in the CFO Accounting Center (CFOAC) is responsible for receiving and paying invoices from the servicing bank.
- 4-3 Scope:** At the end of each accounting period, CFOAC is responsible to estimate and record an accrual to recognize GPC expenses which have been incurred, but not yet billed.
- 4-4 Effective Date of This Policy:** September 2014. The policy will be reviewed annually and updated as needed.
- 4-5 Responsibilities:**
- A. On a quarterly basis, the Director of the Financial Reporting Division of OCFO Accounting (FRD Director) will review and validate the accrual methodology. The FRD Director will validate accrual estimates based on documentation submitted from CFOAC on a quarterly basis.
 - B. CFOAC will maintain an employee as a GPC user of the servicing bank's electronic access system with capability limited to generating and downloading reports from the electronic access system. The CFOAC user will have no authorization or capability to make purchases within the GPC system.
 - C. CFOAC will determine the billing cycle covered by the GPC invoice, which generally is a 30 day period ending on the 5th calendar day of the month of the accounting period for which financial statements are being prepared.
 - D. Assuming the preceding billing cycle example, CFOAC will generate a GPC report to determine the GPC expenses that have been incurred from the 6th calendar day of the accounting period through the end of the accounting period (end of month).
 - E. CFOAC will prepare the following entries to recognize the GPC expenses which have been incurred, but not included in the latest GPC invoice.

1. A journal voucher (JV) will be prepared using a Transaction Type and Transaction Code (TT/TC) of SV/S5. The posting model for this is:

Dr 3107 Unexp Appropriations-Used
 Dr 480C Undel Ords-Oblig Unpd-Accrual
 Dr 6100 Operating/Program Expenses

Cr 5701 Expended Appropriations
 Cr 490C Del Ord-Oblig Unpaid Accrual
 Cr 211C Accounts Payable-Accrual

- F. The JV will be broken down by Budget Fiscal Year and Fund using the standard Division of “CFO”, Vendor Code of “MISC”, Program/BOC of “2500” and Budget Organization of “F”.
- G. CFOAC will submit the JV to the CFOAC Supervisor for review and approval.
- H. After review and approval by the CFOAC Supervisor, CFOAC will record the JV in HUDCAPS. Note: This JV will be posted as a “reversing” entry in HUDCAPS and will automatically be reversed in the new accounting period. A HUDCAPS feature on the header page of the accounting entry in the “Reversal Period” field ensures this is done automatically.
- I. CFOAC is responsible to maintain adequate documentation to support the purchase card accrual.

4-6 Purchase Card Accrual Methodology

- A. The purchase card accrual methodology is based upon the accuracy and timely availability of reports within the servicing bank’s electronic access system. A key assumption in this methodology is a reliance on a capability of the electronic access system to capture and generate reliable reporting on purchase card expenses that have been incurred, but not billed.

4-7 Monitoring

- A. The GSA Smart Pay Program monitors servicing banks and their systems.
- B. In addition, on a monthly basis, CFOAC will compare the accrual estimate recorded in the prior month to the actual expenses billed in the monthly invoice. CFOAC will submit the comparison and the accrual estimates for that quarter end period to the FRD Director for validation on a quarterly basis. CFOAC will adjust the methodology as needed.
- C. On a quarterly basis, the FRD Director will review and validate the accrual methodology.